



# THE COMMONWEALTH OF MASSACHUSETTS

EXECUTIVE DEPARTMENT

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MITT ROMNEY  
GOVERNOR

KERRY HEALEY  
LIEUTENANT GOVERNOR

January 26, 2005

To the Honorable Senate and House of Representatives:

I am filing herewith for your consideration a bill entitled "An Act to Update and Improve Certain Tax Provisions of the Commonwealth." This legislation will simplify the Massachusetts income and excise taxes by bringing state rules into closer conformity with current federal tax models; it will enhance revenues by responding to various aggressive tax avoidance strategies; it will modernize key provisions of the sales tax and deeds excise; and it will facilitate the collection of unpaid taxes. This bill further contains various provisions that strengthen our child support laws so to aid in the collection of delinquent parents unpaid child support obligations.

In recent years, the Commonwealth has identified flaws and outdated provisions in its tax system that enable corporations and certain other taxpayers to limit their taxes in ways that the General Court did not intend. This legislation continues my ongoing efforts to remedy such flaws by bringing the statutory law into better alignment with the broad tax policy goals of the Legislature, as they are commonly understood. The bill limits the opportunity for aggressive tax planning by bringing state treatment of taxable entities into closer conformity with federal tax rules. It strengthens rules that require transactions between affiliated companies to be conducted at fair value, so as to prevent the distortion of taxable income through related-party transactions. And it adopts new penalties for promoters and users of aggressive tax shelters.

The bill also contains provisions designed to ensure that existing taxes may be efficiently collected. Among other things, it requires holders of certain business or professional licenses issued by the Commonwealth to establish their compliance with existing tax filing and payment obligations in order to renew such licenses.

I urge your prompt and favorable consideration of this bill.

Respectfully submitted,

Mitt Romney  
Governor